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Date: 14 MAR 1978

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1. IRAN: Shah's views on oil issue--The Shah has told Ambassador Murray that the Soviets are insisting that any Soviet-Iranian assurances or agreements regarding oil must be made by him as well as Qavam. The Shah has not yet decided whether to comply. The Shah concurs with Qavam that some kind of an understanding with the USSR on oil is necessary, but he is also anxious to interest US oil companies in making an agreement regarding southern Iran on the same basis of equal participation offered the Soviets in the north.

Ambassador Murray reports that, according to information recently given him by Qavam, the Soviet note of 24 March regarding withdrawal of Soviet troops from Iran did not contain any qualifications. The phrase "if nothing happens" [redacted]

25X1

[redacted] Murray now declares, was not contained in any Soviet note, but was merely communicated orally to Qavam by the Soviet Ambassador three hours after the latter delivered the note.

US Consul Tabriz reports that there were no known troop movements in or out of Tabriz on Monday or Tuesday. He estimates that the "Democrats" in Azerbaijan now have an army of about 20,000 men. Elsewhere in northern Iran, the Soviet evacuation apparently continues, and Iranian gendarme patrols are reported moving into key towns from which Soviet forces have been withdrawn.

2. USSR: Cordial reception of Ambassador Smith--In presenting his credentials on 3 April to President Schvernik, Ambassador Smith reports that he was very cordially received by Schvernik and by Vishinsky. The former questioned Smith at length on US veteran problems, showing particular interest in the educational aids extended to veterans and in the ability of US industry to absorb them. He stated that many Soviet veterans were reluctant to go to work until they had had a lengthy period of rest and freedom from discipline.

3. HUNGARY: Soviets refuse clearance for US officials--General Key, US delegate to the Allied Control Council in Hungary, reports that local Soviet authorities have refused clearance for General Haynes and H. Merle Cochran (State Department Inspector with rank of Minister) to enter Hungary. Despite Key's assurance that their mission has no political significance (they are to investigate alleged black market activities of

- 1 -
CONFIDENTIAL

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US personnel), the Soviets stated that visits of important representatives of the State and War Departments must be cleared by Moscow.

4. POLAND: Evasive reply to US inquiry on election date--Ambassador Lane reports that his inquiries concerning the date of elections have been answered by the Polish Government as follows: (a) the elections are to be preceded by a national referendum on a unicameral legislature, the Government's policy on nationalization of industry, and "other questions;" (b) no date has been set for this referendum, and the Polish Foreign Office doubts that the elections can be held before September "at the earliest." Lane feels that the elections will probably be either rigged or postponed indefinitely.
5. ITALY: Yugoslavs demand surrender of war criminals--The US political representative at Caserta reports that the Yugoslav Government has formally requested Allied Headquarters in Italy to turn over to Yugoslavia all Italian war criminals listed by the United Nations War Crimes Commission. (The list includes some 600 names, only 69 of which have previously been requested by Yugoslavia.) British and US officials in Italy believe that the surrender of these men to Yugoslavia would have a disastrous effect on our relations with Italy; they suggest that the Yugoslav and Italian Governments try to agree on this matter without AC or AFHQ interference.
6. ICELAND: Premier claims issue of US bases "mishandled"--Charge Carlson reports that, in a recent interview with the Icelandic Premier, the latter stated with some bitterness that the issue of US bases in Iceland had been "badly mishandled" and had been "doomed from the outset" by raising it just before the Icelandic elections. He felt that public agitation against granting the bases now practically compelled him to make a press release on the subject. Carlson adds that the US Legation has received no request, expressed or implied, for the withdrawal of US troops from Iceland.

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FAR EAST

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7. JAPAN: Repatriation of Japanese from southern areas--The British have agreed to make ship operating supplies available for use in repatriating Japanese from areas in the Southeast Asia and Australian Commands. The War Department has accordingly authorized General MacArthur to assign Japanese-manned Liberty's, LST's and converted hospital troop-ships for this purpose on a temporary basis [redacted]

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[redacted] Continuation of this assignment after 30 June will be contingent upon British agreement to make dollar payments for charter hire of the US Liberty ships.

THE AMERICAS

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8. ECUADOR: US preparing to evacuate the Galapagos--Following Ecuador's formal request that the US relinquish its base in the Galapagos [redacted] the War Department has directed the Commanding General, Caribbean Defense Command, (a) to reduce immediately all personnel and equipment at the base and (b) to prepare to evacuate the base completely by 1 July.

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